

BOARD OF DIRECTORS

Sol Armel
Donald Carr, Q.C.
William Drevnig
Albert Sherman
Jack Sherman
Mark Vansittart

OFFICERS

William Drevnig – *President*
Albert Sherman – *Vice-President and Secretary*
Sol Armel – *Vice-President and Treasurer*
Jack Sherman – *Vice-President*

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company

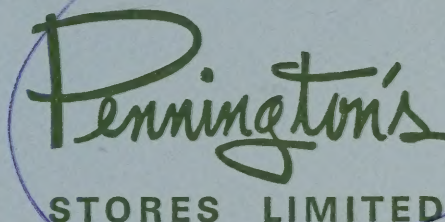
AUDITORS

Pape, Strom, Lavine & Shulman

HEAD OFFICE

PENNINGTON'S STORES LIMITED
17 Apex Road
Toronto 390, Ontario
Telephone: 787-4973

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**PRELIMINARY REPORT
TO THE SHAREHOLDERS**

For the year ended
December 30, 1972

Preliminary Report to the Shareholders

We are pleased to report the following unaudited financial results for the year ended December 30th, 1972. The total sales of your Company for this period were \$11,880,000, which represents an increase of 31.2% over fiscal 1971. Unaudited earnings in 1972 after full provision for income taxes, increased 47.3% to \$1,208,000. Earnings per share calculated on the average number of shares outstanding during the year amounted to approximately 60¢ as compared with 41¢ in 1971. The operating results are after writing off the opening expenses of 8 new stores during the year.

I am pleased to announce that your Board of Directors has decided to change the basis of dividend payments from semi-annually to quarterly. It is presently intended that at least the first two dividends be tax free and at the rate of 7¢ each.

To date, we have negotiated leases for 8 new locations to be opened this year. We expect to open 3 stores in the Province of Ontario in the first half, in Bramalea City Centre, Bramalea; Scarborough Town Centre, Scarborough, and Eastgate Square, Hamilton. The remaining locations for 1973 will be announced in subsequent reports. A number of other locations are also under review for 1973 and 1974.

The Company's annual report for 1972 and the audited financial statements providing complete details of the year's operations are expected to be mailed in April.

February 20, 1973

William Drevnig
President